

CITY COUNCIL MEETING  
MARCH 22, 1989

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RESOLUTION ADOPTED  
CALLING UPON  
CONGRESS TO RESIST  
ALL EFFORTS TO  
FURTHER LIMIT THE  
USE OF TAX-EXEMPT  
BONDS TO FINANCE  
LOCAL GOVERNMENTAL  
PROJECTS

RES. NO. 89-30

CC-7(d)  
CC-28

The City Council adopted Resolution No. 89-30 entitled "A Resolution Calling Upon Congress to Resist All Efforts to Further Limit Use of tax-Exempt Bonds to Finance Local Government Projects."

The City Council was apprised that from time to time there surfaces talk of Federal legislation that would impose a tax on the interest earned on State and local government bonds. A recent U. S. Supreme Court decision (South Carolina vs. Baker) held that Congress may tax interest on State and local government bonds. Cities, acting through the League of California Cities, have consistently expressed strong opposition to this concept. A copy of House Concurrent Resolution No. 39 which states in part that "historically, Congress has respected the important role of these bonds in funding public projects by refraining from taxing the interest on such bonds" was presented for Council's review. The bottom line, of course, is that imposing a tax on these bonds increases the interest rates bid which translates to a far greater cost of the project at the direct expense of local taxpayers.

In view of the recent U. S. Supreme Court decision, it is important that cities once again express their united opposition to any efforts to limit the use of such bonds. This latest effort is being coordinated by the American Public Power Association. If approved, a copy of the subject resolution will be sent to Congressman Norman Shumway.